



# Gorshenin *Weekly*

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**Court to resume hearing of case against former premier Yuliya Tymoshenko on 28 April 2012**

**On 19-20 April 2012, a Kharkiv court held a preliminary hearing in the case against former Prime Minister Yuliya Tymoshenko over the activity of the corporation United Energy Systems of Ukraine (UESU).**

The Ukrainian news and analysis website Lb.ua reported that based on the results of the preliminary hearing, the judge presiding over the case, **Kostyantyn Sadovskyy**, had dismissed an appeal submitted by the former prime minister's defence to suspend the trial until Tymoshenko recovers. Furthermore, the court prohibited photo shooting, video filming and broadcasting of the trial, which was requested by the defence. Several other motions were also dismissed.

The substantive hearing of the case is slated for 28 April 2012.

We would like to note that Tymoshenko was not present during the hearing due to her health condition. At the same time, a representative of the state prosecution team, **Viktoriya Kalyta**, assumes that the former prime minister will testify in court lying on a stretcher.

We shall remind you that in the UESU case Tymoshenko is charged with tax evasion, embezzlement of budget funds and fraud.

On 20 April 2012, Ukrainian Prosecutor-General **Viktor Pshonka** said that Tymoshenko was not entitled to and would not be allowed to receive medical treatment abroad.

On 19 April 2012, US ambassador to Ukraine **John Tefft** said that the USA had no official evidence that Tymoshenko had been involved in the killing of businessman **Yevhen Shcherban** in 1996. Earlier, the Ukrainian deputy prosecutor-general, **Renat Kuzmin**, talked about Tymoshenko's involvement in the killing.

**European court starts to debate case of former Interior Minister Yuriy Lutsenko**

**On 17 April 2012, the European Court of Human Rights (ECHR) started to consider a lawsuit filed by former Interior Minister Yuriy Lutsenko against the Ukrainian authorities.**

More specifically, Lutsenko challenged in court his detention and arrest, which, in his opinion, were carried out with multiple violations.

Ukraine's envoy to the ECHR, **Valeriya Lutkovska**, said that the arrest of the former minister had been motivated by the court's desire to avoid possible pressure on witnesses. At the same time, on behalf of the Ukrainian government, she called on the ECHR to declare the case unacceptable for consideration.

We would like to note that Lutkovska is the only candidate for the post of Ukrainian ombudsman. Ukrainian MPs plan to elect a new ombudsman on 24 April 2012.

It is not clear at this point when the ECHR will hand down a verdict in Lutsenko's case.

We shall remind you that the former interior minister was detained on 26 December 2010. The court found him guilty of abuse of office and sentenced him to four and a half years in prison with property seizure on 27 February. A Ukrainian court of appeals will start to debate his appeal against the sentence on 15 May 2012.

The head of the Supreme Justice Council, **Volodymyr Kolesnichenko**, said that the

ECHR was not a body that could either add to or change verdicts of national courts. "Its task is only to state the fact of a violation of human rights which it believes was committed. However, it is not a directive for Ukrainian courts," he added.

At the same time, the leader of the European human rights organization Solidarity Movement, **Klaus Hoff**, believes that the ECHR ruling in Lutsenko's case will become a certain "message" for Ukrainian authorities.

On 20 April 2012, the former interior minister was transferred back from the Kiev city emergency aid clinic, where he had undergone check-ups, to a remand center.

**Ex-governor Arsen Avakov denies accusations brought by Ukrainian prosecutors, intends to run for parliamentary seat**

**Kharkiv Region's former governor and the head of the Kharkiv regional branch of the opposition Fatherland party, Arsen Avakov, believes that the criminal charges brought against him were trumped up.**

In an interview with the Ukrainian news and analysis website Lb.ua, which was posted on 18 April 2012, the politician said that he had not signed the documents authorizing the allegedly illegal land operations of which he was accused. His signature on the documents which a prosecutor's office showed him was doctored, he added. The former governor also said that these decrees had not been properly registered and, consequently, could not have been signed.

At the same time, the current governor of Kharkiv Region and a member of the pro-presidential Party of Regions, **Mykhaylo Dobkin**, insisted that it was practically impossible to doctor the signature of a region's governor.

Avakov also said that he intended to stand for a parliamentary seat in the upcoming election, running on the Fatherland party list.

We shall remind you that in January 2012, Ukrainian law enforcers said that Avakov was internationally wanted. He was detained in Italy in March 2012 and released on 12 April 2012. Currently, an Italian court is debating his extradition to Ukraine. In the opinion of the director of the Institute of Global Strategies, **Vadym Karasyov**, if Avakov returns to Ukraine, he might follow the path of former Interior Minister **Yuriy Lutsenko** and former Prime Minister **Yuliya Tymoshenko, who have been jailed.**

We would like to note that since 23 April 2012, the management of the Ukrainian bank Bazys, which Avakov controls, has been overtaken by an interim board.

**Trial of son-in-law of opposition parliamentary faction's leader to start in nearest future – mass media**

**On 23 April 2012, the Kiev Pecherskyy district court will start to consider the case of a former Kiev councillor of the opposition Yuliya Tymoshenko Bloc (YTB), Vladyslav Yartsev, the Ukrainian news and analysis website Ukrayinska Pravda reported on 20 April.**

On 18 February 2011, Yartsev was detained on suspicion of accepting a bribe worth 50,000 dollars.

Yartsev is the son-in-law of the YTB parliamentary faction's leader, **Andriy Kozhemyakin.**

**Ukrainian Justice Minister Oleksandr Lavrynovych: amending law on parliamentary elections is irrelevant**

**On 18 April 2012 Ukrainian Justice Minister Oleksandr Lavrynovych has said he sees no reason for amending the law on parliamentary elections.**

"I think that the issue of amending the law on elections is irrelevant, and no amendments will be made to this law," he told.

At the same time, the minister said that the provisions of the law on elections would not hinder work of the Central Electoral Commission.

On 10 April 2012, the Constitutional Court of Ukraine (CCU) announced its ruling on several provisions of the law on electing MPs. In particular, the court ruled that the law provision allowing candidates to simultaneously run on party lists and in single-seat constituencies was unconstitutional.

Earlier the CCU declared unconstitutional the provision of the election law giving Ukrainian citizens who reside abroad the right to vote for candidacies from Kiev's single-seat constituencies. Following this CCU decision, Ukrainian nationals living abroad will be able to vote only for candidates running on party lists.

According to the head of Central Electoral Commission **Volodymyr Shapoval**, this ruling of the CCU (on the elections abroad) might challenge legitimacy of future parliamentary elections if parliament does not make a decision on this CCU verdict or if the CCU does not provide additional explanations.

**Ukrainian National Security and Defence Council's secretary to become head of pro-presidential party's election HQ**

**On 23 April, the pro-presidential Party of Regions will hold a meeting in Kiev during which it will officially assign responsibilities for the parliamentary election campaign.**

The Ukrainian analytical weekly Dzerkalo Tyzhnya reported that the secretary of the National Security and Defence Council (NSDC), **Andriy Klyuyev**, would be officially appointed as the head of the Party of Regions election headquarters. At the same time, Klyuyev will take an annual leave prior to the election, the weekly added.

We shall remind you that the Ukrainian news and analysis website Lb.ua quoted its own sources as saying that Klyuyev had actually already started to fulfill the responsibilities of the head of the Party of Regions' electoral headquarters.

According to the information at the disposal of Dzerkalo Tyzhnya, the Ukrainian deputy prime minister and the social policy minister, **Serhiy Tyhypko**, will be in charge of the electoral campaign, and Prime Minister **Mykola Azarov** will be the head of the campaign despite his low popularity,

We shall remind you that in February 2012, Ukrainian President **Viktor Yanukovych** said that Klyuyev would not be dealing with the electoral campaign of the Party of Regions.

**Former premier calls for unity of political opposition ahead of parliamentary election**

**Former Ukrainian Prime Minister Yuliya Tymoshenko, who is serving a seven-year jail sentence, has called on all opposition forces to unite their parties' and single-seat constituencies' electoral lists ahead of the parliamentary election.**

In an interview with the Dzerkalo Tyzhnya weekly published on 21 April 2012, Tymoshenko said that the opposition can win the election if **Vitaliy Klitschko's** Strike party, **Oleh Tyahnybok's** Freedom party, **Anatoliy Hrytsenko's** Civic Position party and **Valentyn Nalyvaychenko's** Our Ukraine joint the united opposition.

According to Tymoshenko, after the election the united opposition is likely to split into separate factions in parliament.

As known, Tymoshenko's Fatherland party, **Arseniy Yatsenyuk's** Front for Change party, **Yuriy Lutsenko's** People's Self-Defence, **Serhiy Sobolev's** Reforms and Order and **Borys Tarasyuk's** People's Movement of Ukraine have already declared their intention to unite.

Klitschko and Tyahnybok, however, indicated their desire to run for parliament independently.

Tymoshenko said that if the opposition decides to run for parliament on separate election lists, it won't be able to control the election results and prevent election rigging. Tymoshenko is also concerned that the opposition politicians may start fighting against each other in the course of the election campaign and the Party of Regions will definitely benefit from this.

Tymoshenko also said that when selecting candidates to run for parliament in single-seat constituencies, the quota principle rather than popularity rating principle should be followed.

**Ukrainian president, Russian premier may meet in nearest future to discuss gas issues**

**On 16 April 2012, Ukrainian President Viktor Yanukovich said that Ukraine intended to intensify negotiations with Russia in order to resolve the gas issue as soon as possible.**

Yanukovich added that he had discussed this issue with Russian Prime Minister and president-elect **Vladimir Putin** on 15 April 2012. During the talks, they also agreed to hold a meeting prior to Putin's inauguration, which is scheduled for 7 May 2012.

For two years, Ukraine has been trying to agree with Russia on a decrease in the gas price and on the revision of the gas contracts which were signed in 2009.

On 19 April 2012, Gazprom's CEO **Aleksey Miller** told Putin that the construction of the second branch of the Nord Stream gas pipeline, which will be used for commercial transit of gas as soon as in October 2012, had been completed ahead of schedule. At the same time, touching upon the issue of lowering the transit risks, Miller noted that with the launch of Nord Stream, Ukraine has ceased to play the role of the exclusive transporter of Russian gas to Europe.

Earlier, on 18 April 2012, the Ukrainian state-run gas and oil trader Naftohaz Ukrayina said that Ukraine had increased the volumes of Russian gas transported to Europe due to the repair works performed on Nord Stream.

On 19 April 2012, Ukraine's National Commission for the State Energy Regulation issued a decree which provided any company that had its own resources (in other words, a company which either extracts or imports fuel) with access to the Ukrainian gas transportation system and underground gas storage facilities. The commission's head, **Serhiy Tytenko**, explained that the adoption of the given document was Ukraine's obligation to the Energy Community.

In the opinion of the director of the Institute for Energy Research, **Dmytro Marunich**, this decision of the Ukrainian government is not advantageous for Gazprom, which will be now unable to control the Ukrainian gas transport system even if a consortium for its management is set up.

**Three Ukrainian companies allowed to resume cheese exports to Russia**

**On 17 April 2012, Economics Minister of Ukraine Petro Poroshenko met with Gennadiy Onishchenko, the head of Russia's Federal Consumer Protection Service (Rospotrebnadzor) in Moscow.**

Following the meeting, Poroshenko announced that Ukrainian companies can resume cheese exports to the Russian market. For his part, Onishchenko said that the Russian market is reopened only for three Ukrainian enterprises, particularly Hadiachsyr (belongs to Almira), Prometeya (Milkiland) and Pyryatyn Cheese Factory (Milk Alliance). According to him, the fourth manufacturer which can soon be allowed to return to the Russian market is Dubnomoloko (Western Milk Group) as on 23 April 2012 experts from Rospotrebnadzor should conduct an inspection at the factory. Other enterprises that previously fell under the ban should also be able to resume cheese exports after respective inspections.

At the same time, Onishchenko noted that the Ukrainian cheese producers will be able to resume supplies of their products only after these companies eliminate all the violations in production technology discovered by the Russian side.

In February 2012, Russia banned imports of products from nine Ukrainian cheese factories. The reason for the move was that Ukrainian cheeses allegedly contained palm oil. Later, several checks showed there was no palm oil in Ukrainian cheese.

As reported by the Kommersant Ukraina business daily, according to estimates made by the Institute for Economics and Forecasting of the National Academy of Science of Ukraine, the Ukrainian dairy businesses lose over 26m dollars every month because of the Russian ban. The market participants estimate their losses at 10-15m dollars.

According to Chairman of the Ukrainian Dairymen Association **Vasyl Bondarenko**, it will be difficult for the Ukrainian producers to recover market shares because their positions on the Russian market were taken by manufacturers from Belarus. In addition, the negative campaign seen over the last two months has undermined the confidence of Russian consumers in Ukrainian products.

**President signs amendments to 2012 budget aimed at boosting social spending. IMF worsens Ukraine's GDP growth forecast**

**On 16 April, President Viktor Yanukovich signed a law introducing amendments to the law "On the State Budget of Ukraine for 2012".**

The law provides for increase in revenues to the national budget by 4.17bn dollars, to 45.9bn dollars. The budget outlays will be raised by the same amount to 49bn dollars.

At the same time, according to Lb.ua news and analysis website, additional 2.28bn dollars will be allocated from the state budget for the implementation of the social initiatives previously voiced by Yanukovich.

On 11 April 2012, Economics Minister **Petro Poroshenko** said that he sees no reason to change the macroeconomic indicators for 2012. Thus, according to the government's forecasts, GDP growth in Ukraine will reach 3.9% while inflation will land at 7.9% this year.

At the same time, on 17 April 2012, the International Monetary Fund (IMF) published its World Economic Outlook in which it lowered its forecast of Ukraine's economy growth in 2012 to 3%. Under such conditions, the budget may receive 500m dollars less than it was planned. At the same time, the IMF has raised its forecast of the global economic growth from 3.3% to 3.5%.

On 20 April 2012, Finance Minister **Yuriy Kolobov** and Governor of the National Bank of Ukraine (NBU) **Serhiy Arbuzov** travelled to the meeting of the IMF and World Bank in Washington, D.C.

By the end of the year, the NBU intends to channel 8.5bn dollars of international reserves into debt repayments.

According to Lb.ua, as of 1 April 2012, the central bank's foreign exchange reserves totaled 31.13bn dollars.

## **President signs Customs Code**

**On 19 April 2012, President Viktor Yanukovich signed the Customs Code.**

As Deputy Head of the Presidential Administration **Iryna Akimova** said after the signing, the Customs Code will take effect in June 2012. The document, according to her, complies with the norms of the European Union and World Trade Organization, and is aimed at facilitating foreign economic activities and ensuring transparency of all customs clearance procedures.

For his part, the head of the Parliamentary Committee on Finance, Tax and Customs Policy, MP **Vitaliy Khomutynnyk** of the Party of Regions noted that after coming into force, the Customs Code will bring 1.25bn dollars of additional budget revenues, which will be used for implementation of the president's social initiatives.

On 13 March 2012, parliament passed a new version of the Customs Code, which was revised on the basis of the amendments made by Yanukovich.

As **Valentyn Pisotskyy** says in an article for Ukrayinska Pravda news and analysis website, a number of the president's amendments were essentially distorted in the final version of the law, and MPs also introduced some norms that were not suggested by the president. For example, the author writes that according to the customs code, customs value of goods will be determined by customs officers, while the president's draft suggests that such value should be established by the customs service jointly with declarants. The author also points to a number of other regulations that significantly differ from the amendments proposed by the president.

According to Pisotskyy, these changes in the document's final draft were suggested by Khomutynnyk and head of the Customs Service **Ihor Kaletnik**, with the assistance of head of the Presidential Administration **Serhiy Lyovochkin**.

## **Ukraine reduces number of recipients of automatic VAT reimbursement**

**Parliament may amend the tax code in the near future.**

According to the Kommersant Ukraine business daily, on 26 April 2012, the Verkhovna Rada is expected to introduce amendments to the tax code, specifically on the issues of determining the criteria for obtaining automatic VAT refunds.

In particular, the size of the difference between tax credit and the amount of claimed VAT refunds (should not exceed 10%) will be calculated for three months, not three quarters. The lawmakers are also planning to change the requirements with regards to the average wage paid by companies: it is suggested to reduce the term for calculation of the average wage from one year to one quarter. As is known, to receive automatic VAT refunds, the average wage at a company should total at least 2.5 minimum wages.



Also, the bill introduces new regulations. Now, companies that showed losses for the most recent reporting year are not entitled to automatic VAT refunds. They will be able to receive VAT refunds on a common basis.

According to the director of the Economic Department of the Ukrainian Union of Industrialists and Entrepreneurs, **Yuliya Drohovo**, this innovation will affect many businesses as “half of the Ukrainian companies are defending their losses in courts”.

**Tax Service confirms  
unscheduled  
inspection of  
independent TV  
channel TVi**

**On 17 April 2012, employees of the Ukrainian State Tax Service carried out an unscheduled inspection of the opposition TV channel TVi.**

The Ukrainian Interior Ministry explained that the inspection had been conducted as part of the investigation into a criminal case opened over suspected fictitious business and forgery.

Later, on 19 April 2012, the Ukrainian newspaper Ukrayina Moloda quoted its own sources as saying that the Tax Service was conducting inspections at TVi in an attempt to find the facts of “shadow” funding of the TV channel from abroad and also with the intention to establish a link between the TVi's main investor – Russian businessman **Konstantin Kangalovskiy**, who has immigrated to the West – and infamous businessman **Semen Mohilevych**.

The TVi director-general, **Mykola Knyazhytskyy**, said that the information published by the Ukrayina Moloda newspaper was an attempt to undermine the reputation of the TV channel and to justify the actions of law enforcers.

“We are the only channel which the government does not control in any way. Of course, this irritates it, especially ahead of the election,” he said, commenting on the inspections.

We shall remind you that at the end of March, the Tax Service said that all inspections of mass media outlets will be suspended starting from 1 April due to a parliamentary election campaign.

We would like to note that on 17 April 2012, a court of appeals dismissed a motion submitted by TVi, which challenged the legality of a refusal to issue the channel a license for all-national digital broadcasting in August 2011.

**Tax police block  
operation of Ukraine's  
largest online store  
Rozetka.UA**

**On 19 April 2012, employees of tax police conducted a search in the office of one of Ukraine's largest online stores Rozetka.UA.**

The same day, the website AIN.UA reported that representatives of tax police also came to the office of the Mirohost hosting company with the intention to seize the servers of the online store.

As a result of the actions carried out by tax police, the work of the store and its website was blocked.

The Ukrainian State Tax Service (STS) explained that the search had been conducted as part of the investigation in a criminal case launched against the Rozetka.UA store over suspected tax evasion worth over 930,000 dollars. The STS representative, **Oleksiy Chernobay**, said that the store might be able to avoid criminal punishment if it reimburses the losses inflicted on the state before charges are brought.

The STS press service also said that during the search, tax police seized documents on the financial and economic activities of the store, but did not clarify whether they also seized its servers.

The Rozetka.UA manager, **Vladyslav Chechetkin**, said that nearly 150 people had participated in the search of the company's office. Furthermore, in addition to disrupting the work of the Rozetka.UA office, the actions of tax police blocked the operation of over 20 companies which sell their products on Rozetka.UA.

We would like to note that the Rozetka.UA website has already moved to a German hosting with a data center in Europe. Chechetkin did not rule out that he would leave Ukraine.

Later, on 20 April 2012, the Tax Service said that the Rozetka.UA management expressed readiness to reimburse the state for the inflicted losses.

On the same day, 20 April 2012, Ukrainian Prime Minister **Mykola Azarov**, posted on his Facebook wall that tax agencies would drastically decrease pressure on business in the nearest future.

## **Ukraine fails to comply with half of Council of Europe's recommendations against corruption**

### **The Council of Europe's Group of States against Corruption (GRECO) published a report on 18 April detailing how Ukraine complies with recommendations issued in 2006.**

The report contains a number of comments, in particular, that Ukraine failed to comply with the recommendation to establish criminal responsibility (currently there is only administrative responsibility) for corruptive actions and to introduce such a responsibility not only for individuals, but also for legal entities. Also, the recommendation to strengthen the prosecutor's office and judicial branch's independence from political influence remains ignored. A number of other recommendations also were left without attention.

The Kommersant Ukraina business daily said however that the Ukrainian authorities managed to persuade GRECO that Ukraine does not have to set up a special body to fight corruption– the anti-corruption committee under the Ukrainian president is sufficient for this purpose.

As known, setting up an independent anti-corruption body is one of the key requirements of the action plan to liberalize the visa regime between Ukraine and the EU.

The head of the public organization Europe without Borders, **Iryna Sushko**, has said that speaking about fighting corruption, the EU always takes into account GRECO's conclusions. Sushko also said that thanks to this approach the problem will be resolved. Sushko said however that the Anti-corruption Committee under the president of Ukraine only simulates real work.

It is worth mentioning that the Ukrainian Justice Ministry's report on the level of corruption in Ukraine, published on 18 April 2012, says that in 2011 Ukrainians faced corruption most often in the police, at courts when proceeding with criminal cases, in the health protection and education sectors. At that, 83% of Ukrainians say giving a bribe is a normal practice, the Justice Ministry's report reads.

The public opinion poll conducted by the Gorshenin Institute in June 2011 showed that 87% of the respondents consider bribery a widely-spread phenomenon in Ukraine.

**President Viktor Yanukovich received 2m dollars in royalties for books not yet written**

**President Viktor Yanukovich published his 2011 income and property declaration on 14 April 2012.**

The declaration reads that in 2011 Yanukovich received from the Donetsk-based Novyy Myr publishing house about 2m dollars for the property rights for the four books he wrote in 2005-10 and for his literary works still to be created in future.

Later, the deputy director of the publishing house, **Eduard Vakulenko**, said in an interview with the Gazeta.ua website that the contract between the Novyy Myr publishing house and Viktor Yanukovich does not specify the number of books, their volume and deadlines for submittal for publication by the author.

**One of Ukraine's largest TV channels cuts out stints about president, his family from entertainment shows**

**Studiya Kvartal 95 admitted that a stint about Ukrainian President Viktor Yanukovich's son, Oleksandr, had been deleted from a televised version of their most recent concert programme, which was broadcast by the Inter TV channel on 7 April 2012.**

The Studiya Kvartal 95 press service explained this by "aspects of the montage process".

At the same time, Studiya Kvartal 95 flatly denied the existence of censorship on the Inter TV channel.

We shall remind you that Inter is owned by the Ukrainian first deputy prime minister, **Valeriy Khoroshkovskyy**, who had been recently serving as the head of the Security Service of Ukraine (SBU).

**Ukrainian president appoints new ecology minister**

**On 20 April 2012, Ukrainian President Viktor Yanukovich dismissed Ecology Minister Mykola Zlochevskyy from his post and appointed him as the deputy secretary of the National Security and Defence Council (NSDC).**

At the same time, the president appointed the head of the state Service for Geology and Resources, **Eduard Stavytskyy**, as new ecology minister.

Commenting on the new appointments, Prime Minister **Mykola Azarov** said that Zlochevskyy's transfer was aimed at strengthening the NSDC's structure.

The Ukrainian analytical weekly Dzerkalo Tyzhnya quoted its own source as saying that in addition to dismissing Zlochevskyy, the president also considered sacking Agricultural Policy Minister **Mykola Prysyzhnyuk**.

At the same time, the Ukrainian news and analysis website Ukrayinska Pravda published a reminder that back in 2007, the national company Nadra Ukrayiny, which was headed at that point by Stavytskyy, changed the status of the Mezhyhirya estate (where Yanukovich currently resides) from state-owned to private. As a result, the estate became the property of a company, which according to the information at the disposal of Ukrayinska Pravda, is owned by Yanukovich's family.

We would like to note that a sociological survey conducted by the Gorshenin Institute in December 2011 suggests that 66.3 percent of the population believes that the Ukrainian ecological situation is bad.

**Ukraine, Russia to sign number of agreements regarding the Black Sea Fleet**

**Russian Deputy Foreign Minister Grigoriy Karasin said on 20 April 2012 that his office has drafted a number of agreements jointly with Ukrainian colleagues.**

According to Karasin, the Russian Cabinet has already made its decision to sign the agreement on movements of the Russian military personnel outside places of their permanent deployment in Ukraine. He added he hoped that the Ukrainian Cabinet would approve a similar decision soon.

Karasin also said that the negotiators from the two countries at the expert level developed and agreed a draft agreement on the procedure for crossing the Ukrainian border by the Russian Black Sea Fleet's naval and support ships, aircraft and servicemen.

He added that the agenda includes a number of other agreements.

Ukrainian and Russian diplomats discussed the issues of the Russian Black Sea Fleet's deployment in Ukraine at the meeting in Moscow on 18 April 2012.

Meanwhile, journalist **Volodymyr Kravchenko** in his article for the Dzerkalo Tyzhnya weekly said that Russia failed to achieve concessions from Ukraine on a number of important issues. The article says that the work on an agreement regarding the upgrade of the Russian Black Sea Fleet in Ukraine's Crimea has been started long ago. This is going to be one of the important documents for Russia as it would allow them to turn Sevastopol into a relatively combat-effective naval base. Ukraine has agreed to this upgrade but insists that the agreement should include a provision on an obligatory approval by Ukraine for the replacement of ships and aircraft. Russia strongly opposes this demand. Also, Russia can not receive tax exemption for cargoes designated for its Black Sea Fleet. Russian Deputy Foreign Minister Grigoriy Karasin said this tax costs his country 10-15m dollars a year.

The public opinion poll conducted by the Gorshenin Institute in April 2010 showed that the majority of Ukrainians (56.4%) look positively at the fact that the Russian Black Sea Fleet will continue to stay in Ukraine till 2047.

**Talks on settlement of Dniester region conflict held in Vienna**

**On 17-18 April 2012, official talks on the settlement of Moldova's breakaway Dniester region conflict were held in Vienna.**

The negotiations were held in the format «5+2» (Moldova and Dniester region, which are the conflict parties, Ukraine and Russia, which acted as guarantors, the Organization for Security and Cooperation in Europe (OSCE), which served as a mediator, and the EU and the USA which performed the function of observers).

Dniester region has received the status of an equal party in the negotiations. Like the rest of the participants, Tiraspol can now freely put forward its proposals for discussion. At the same time, Dniester region did not receive the legal status of a recognized independent state.

We shall remind you that on 16-17 April, the Russian deputy prime minister and

the presidential envoy to Dniester region, **Dmitriy Rogozin**, visited Moldova and Dniester region. He said in Moldova that Russia would re-arm its peacekeepers in Dniester region. Earlier, Russian Defence Minister **Anatoliy Serdyukov** also paid a visit to Dniester region.

The Russian newspaper Nezavisimaya Gazeta reported that the rearmament of the peacekeeping contingent can be funded by Dniester military companies. At the same time, a source from the Russian presidential circles in Moscow told Nezavisimaya Gazeta that Dniester's former military companies might be included in the plan of Russia's military-industrial complex.

At the same time, the Ukrainian newspaper Kommersant Ukraina quoted its own source from Rogozin's delegation as saying that Moscow had started the preparation for the removal of ammunition from Dniester region. The ammunition will be transported through the Ukrainian territory and Kiev has already agreed to that, the newspaper added.

In an article for the Ukrainian analytical weekly Dzerkalo Tyznnya, **Vitaliy Kulyk**, questioned Russia's intention to remove ammunition from Dniester region. "There is no doubt that with **Vladimir Putin's** return to the presidential office, Russia does not intend to settle 'the Dniester issue' without a fight and will try to turn it into one of its trumps in its dialogue with the EU and the USA on the system of regional security in Europe," the author wrote.

In the opinion of the first Ukrainian ambassador to Russia, **Volodymyr Kryzhanovskyy**, Kiev has to spare no effort in helping Moldova to regain control over Dniester region and to avoid the strengthening of the Moscow influence in the region.

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